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COUNTY FISCAL CRISIS: 1985-86

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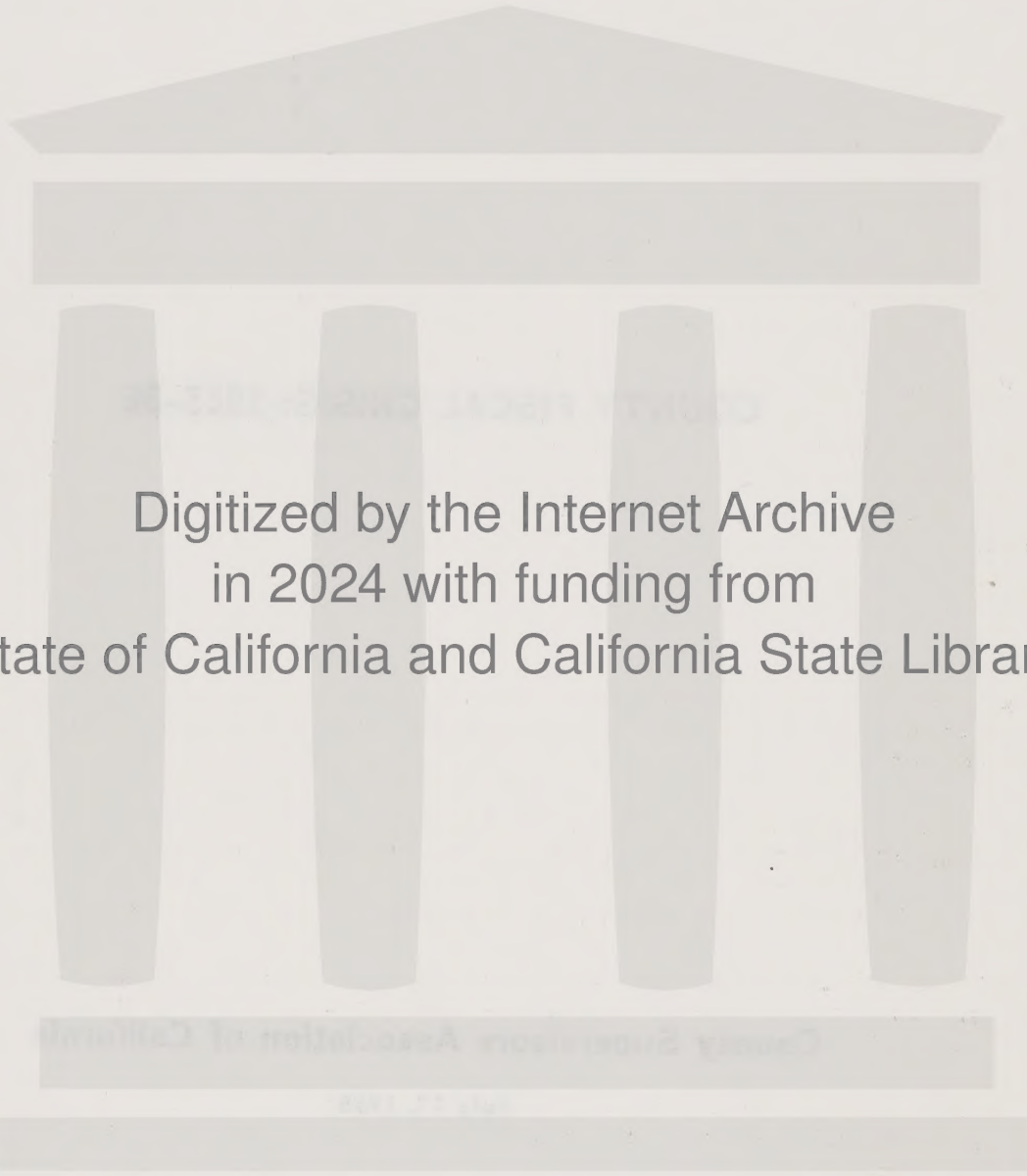
County Supervisors Association of California

July 17, 1985

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COUNTY FISCAL CRISIS: 1985-86

Results of a survey conducted by the County Supervisors Association of California

Larry E. Naake, Executive Director

INTRODUCTION

During May and June, we surveyed our members as they were struggling to develop a balanced budget for the coming fiscal year. County supervisors and chief administrative officers were asked not only for dollar figures, but also for examples of the cause and extent of the fiscal troubles in California counties.

Because of the urgency faced by many counties, I sent to you on two occasions in recent weeks preliminary results of our survey. As promised, I am now enclosing our final report on the problems each county is having in meeting minimum levels of service with limited revenues. This survey confirms our fear that the county budget crisis is not a localized, isolated problem. Counties throughout the state are facing severe financial problems.

SURVEY SUMMARY

While there are many causes of this crisis, each county has cited the difficulty of finding money for state-mandated, caseload driven programs, particularly in the areas of welfare, courts and jails. Overall, the results of our survey are grim and startling. We discovered that:

- Many counties are facing significant shortfalls in the five percent to ten percent range and are contemplating drastic program cuts and employee layoffs.
- Discretionary revenues are not increasing as fast as mandated expenditures.
- There is a continuing trend of uncontrollable and rapidly increasing costs in three areas: 1) state-mandated welfare programs, 2) jails, and 3) courts. These are caseload driven programs beyond the control of counties.
- The extent of a county's "real" discretionary spending is much less than expected: normally below ten percent and sometimes as low as one or two percent of their total budgets.
- County reserve levels are significantly less than the 3.7 percent that the Governor and the Legislature have indicated is necessary as a prudent reserve for economic uncertainties. The reserve level of counties in some cases is zero and in other cases is from one-half to three percent.

SHORT AND LONG TERM SOLUTIONS

In the next few months, we will be exploring long-range solutions for a stable source of funding for California counties. Coupled with this long-range planning will be our suggestions for the realignment of governmental services at the most appropriate level. In the short term, however, there are six key legislative measures which would alleviate the budget crisis in the counties. These bills are:

1. AB 340 (Costa). This bill would limit a county's share of cost for AFDC grants and administration to the statewide average percentage growth of general purpose revenues for all counties. It appropriates \$7.5 million for 1985-86.
2. SB 1091 (Campbell). Recent amendments to this bill provide for \$145 million in new revenue to counties from the vehicle License Fee receipts.
3. SB 300 (Foran). This bill would potentially provide \$340 million for much needed repairs of county roads. While the Senate has eliminated any matching requirement for these funds, members of the Assembly still want a match included in the bill. We support this bill, if amended, to take care of the problems created by the maintenance of effort requirement, and we wish to keep the bill free of any matching requirement.
4. AB 454 (Vicencia). Assembly Bill 454 permanently fixes the sharing of the non-federal portion of the Foster Care Program at: 95 percent state funding and 5 percent county funding. This sharing arrangement was scheduled to expire because of concerns about the reform of foster care. These reforms have since been realized through Senator Presley's SB 14 and Assembly Member Moore's AB 2695 as well as through federal legislation. Therefore, the 95-5 sharing should be made permanent.
5. AB 19 (Robinson). Would establish a program of increased state funding of trial court operations on a county-option basis. Counties opting in to the program would receive a quarterly block grant of approximately \$410,000 per judgeship.
6. AB 2545 (Robinson). Would permit construction of jail facilities upon a finding by the board of supervisors of an emergency need. Would also provide \$150 million in bond funds for specified county jail construction.
7. Potential Bill. Legislation to provide relief to counties with extraordinary trial costs by 1) extending to all felony prosecutions, that exceed a certain level, the existing law requiring the state to pay for prosecuting capital cases above a certain cost level; and 2) allowing a county to invite the Attorney General to prosecute and pay for certain extraordinary cases.

EXAMPLES OF COUNTY BUDGET PROBLEMS

STATEWIDE: When the 1984-85 local government financing package became law last July, the Department of Finance estimated that counties would receive a total of \$115 million (of which \$16 million was for administration. But, as of May 1985, the Department's estimates show that the counties actually received only \$28.4 million, resulting in a shortfall of \$86.6 million. For 1985-86, the Department estimates counties will receive a total of \$107.1 million (of which \$13.7 million is for administration).

AMADOR: The county faces an 8% deficit in 1985-86. Among a great number of fiscal problems, there was a ten-fold increase in jail costs from 1979-80 through 1984-85 due to the construction of a new jail. This required an increase in the jail staff from one jailer to 13 jailers.

BUTTE: An estimated \$4 million shortfall in 85-86, or 10% of the total county budget. The county anticipates an across-the-board budget cut from 10-15%, which will partially be accomplished by laying off one of out every ten county workers. Of the \$420,000 received from the 1984-85 local government financing package, 100% was spent on AFDC cost increases. There was an 8% increase in general purpose revenues from 1980-81 to 1982-83 compared to a 23% increase in AFDC costs.

CALAVERAS: A 25% county budget cut imposed by the Board of Supervisors means that eight branch libraries will be closed. In order to have a balanced budget, the county has to cut a total of \$500,000.

CONTRA COSTA: Insurance premiums have doubled in the past year. The 1985-86 departmental budget requests exceeded the recommended proposed budget by \$26 million. This does not include \$54 million in needs identified by the county's departments which were not formally requested. The proposed budget (\$352.5 million) is only 2.8% above the 1984-85 budget, which is less than the rate of inflation.

DEL NORTE: In this hard-pressed county, welfare gets 15%, the sheriff gets 30% and the courts get 25% of the county's discretionary budget.

EL DORADO: Criminal justice/public protection receive 55% of the county's discretionary budget.

FRESNO: In 1984-85, the county was forced to implement a mid-year budget cut of \$2 million in its operating expenses. "The state isn't bailing out the counties, the counties are bailing out the state," said Chief Administrative Officer Bruce Spaulding. All the county's cost increases for general government were due to implementation of the supplemental roll (total increases: \$1,115,000 or 8.3%). In 1986-87, the county faces a \$9 million increase to staff a new jail. This is a 92.6% increase in costs in one year (from 1985-86 to 1986-87).

GLENN: The 1985-86 budget shortfall is \$1.3 million. The budget includes no capital improvement projects. There is a \$1.6 million difference between requests and available funds for the county's 1985-86 budget. The county expects to cut 38 positions. The county faces a doubling of its insurance costs.

HUMBOLDT: Criminal justice gets one-third of the county's general fund budget. Welfare gets 40%. In 1985-86, the county will implement an average 11% across-the-board cuts in budgets. The county has reverted 60 miles of its roads from pavement to gravel in the past 3 years as a cost-saving measure.

IMPERIAL: This county faces 40% unemployment, in contrast to the state's 7.8% unemployment rate. Such a high rate of unemployment causes budgetary problems in all county departments.

KERN: A total of 99 new positions are funded in the 1985-86 proposed budget. Of those, nearly one-third will be staff needed for the county jail system.

KINGS: Criminal justice expenditures equal more than the total of all property tax revenues collected.

LAKE: The 1985-86 budget is balanced, but serious difficulties are expected in 1986-87. The 1985-86 budget does not include funding for any additional staff or fixed assets.

LASSEN: The county experienced a 2% increase in property tax revenues, but had a 22% increase in sheriff's costs.

LOS ANGELES: Since 1979, increases in the county's costs for state mandates have been 114.7% for welfare, 105.5% for jails, and 75.7% for courts. In contrast, there has only been a 57.5% increase in the county's discretionary revenues. In 1977-78, criminal justice consumed 32% of the county's budget. In 1984-85, criminal justice will eat up 53%. Health, welfare and general relief receive 26% of the county's revenues. Thus, health, welfare and criminal justice alone receive 79% of the county's total revenues. General government (property tax collection, etc.) receives 10% of the county's revenues and public protection receives 8%. This means that only 3% of the county's total budget is available for non-mandated functions.

MARIN: Insurance costs have quadrupled in the past year. In order to cover the added insurance premium costs, the county is being forced to reduce its operating programs by \$1.1 million. At this time, it appears that most of those cuts will be imposed on health and welfare services.

MENDOCINO: The budget requests for 1985-86 are \$8.9 million above incoming revenues. (The 1984-85 budget was \$48.3 million.) In 1984-85, the county had to spend 50% of the \$500,000 originally set aside for "Reserves for Emergencies" and 100% of the \$129,000 in its "Reserves for Contingencies," in order to balance the budget. From 1979-80 through 1984-85, jail costs increased 216%, compared to a 17.7% decrease in general purpose revenues.

MERCED: There has been a 10% increase in welfare workloads, contrasted with the state's projection of a 1% increase. \$1.5 million in budget cuts are needed for 1985-86. The 1985-86 budget will be 12% higher than 1984-85 compared with a total of 18% in requested increases. The 1985-86 budget shortfall is \$1,189,252. The 1985-86 proposed budget is underfunded \$203,137 for salaries in the fire fund, \$51,115 for replacement of fixed assets, and \$100,000 for General Relief. The county's general revenue sharing allocation of \$500,000 averages 10% of the road department's total budget. Charges for current services imposed by the road department only comprise approximately 2.4% of the department's total revenues.

MONTEREY: The 1985-86 budget must be reduced by \$4.5 million, because state law does not permit a county to have a deficit.

NAPA: The Board of Supervisors expects a budget crisis will confront the county within the next two years.

ORANGE: In 1986-97, the county expects a \$10 million deficit. A \$90 million deficit is expected in 1987-88.

PLACER: Criminal justice requested a total of 9.3% increased funding; they will only get a 3.7% increase in funding. Several major items are not funded in the 1985-86 budget, including approximately \$1.6 million for a new criminal justice center and monies for any salary adjustments approved by the Board of Supervisors.

SACRAMENTO: In order to meet General Relief costs, the county will probably deplete its contingency reserves. In March, 1985, as 1985-86 budget preparations began, there was a \$21.6 million gap between 1985-86 basic county requirements and estimated revenues. The completion of the new jail is expected in 1988-89, at which time the county faces annual lease payments of approximately \$7 million.

SAN BENITO: The 1985-86 budget shortfall is \$655,000, and there are no reserves.

SAN BERNARDINO: Public protection costs have increased 15%, welfare costs have increased 12.5% and health care costs have increased 3% in this county.

SAN JOAQUIN: The total 5.2% increase of all county and enterprise funds is well below the state's constitutional appropriation limit formula of 7.9% for 1985-86. This limit considers both changes in the Consumer Price Index and population. Although it applies only to "proceeds of taxes" the index is a rough measure of the ability to deal with pressures of inflation and increased service demands.

SAN LUIS OBISPO: Projected increases are 19% for public protection, 8.5% for welfare and 11.3% for health in 1985-86.

SHASTA: For 1985-86, the county projects a \$1.9 million deficit. The 1985-86 budget will be 7% less than the 1984-85 budget. This means the county will impose across-the-board cuts of 15% and reduce 175 positions in its workforce. The assessor's office faces a possible loss of nine employees. There is a proposed 10% cut in county counsel's office, which will mean a 35% cut in attorney staff. A 10% cut is proposed in the supervisors' budget, which means a cut in transportation/travel from \$22,000 to \$7,000.

SISKIYOU: Since 1983-84, jail costs have increased 20%. There has been a 31% increase in costs for the district attorney's office and a 15% increase in costs in the sheriff's office.

SONOMA: There is a \$5 million annual debt service for the county jail. The county has one-half of its usual reserve. The budget process is complicated because of an impending geothermal lawsuit. In order to be prepared, the county has set aside \$2.5 million in an impound account. The 1985-86 budget does not make any provision for the possible loss of income from an adverse ruling on a geothermal assessment appeals that is still unresolved. If a ruling were to occur in 1985-86, the general fund revenue base could be reduced by about \$3.2 million.

STANISLAUS: The county faces a projected \$8.5 million deficit in 1985-86.

TEHAMA: This small, agricultural county can serve as the "worst case" example of the statewide county budget crisis. Faced with a nearly impossible situation, the Board of Supervisors has seriously considered budget-cutting measures as reducing the county offices to a four-day week, selling county recreational land, and closing all branch libraries. To make matters even worse, Tehama is faced with a \$250,000 trial expenditure for a Red Bluff man who is accused of holding a woman as a sex slave.

TULARE: A 5% increase in assessed valuation of which 65% is directed for welfare. Welfare receives 50% of the county's total general fund budget. The county projects a \$2-3 million deficit in 1985-86.

TUOLUMNE: Criminal justice requested a 37% increase in its budget for 1985-86; the county will recommend an 11% increase, with no new positions. There is a 34% increase for staffing the new jail. Any money for a new match requirement for road funding would have to come directly out of the county's contingency fund, which is only \$228,488 (0.8%).

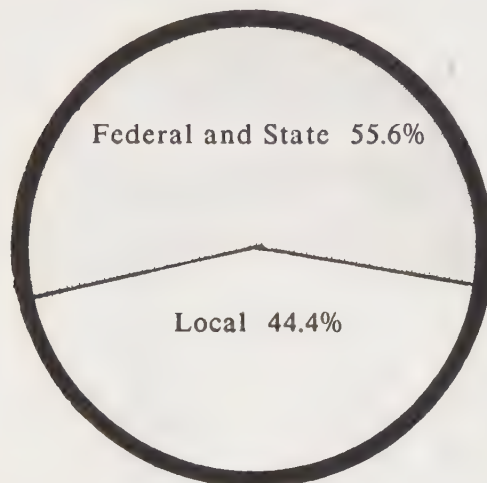
VENTURA: Criminal justice has had only a 3.5% increase in budgeted dollars.

YOLO: Current budget estimates indicate the need for a 1% cut in the county work force, despite a growing population and greater need for services. Public protection requested \$743,000 more than will receive.

DISPARITY BETWEEN STATE AND FEDERAL PAYMENTS TO COUNTIES AND STATE REQUIRED EXPENDITURES:

1985 - 86

COUNTY REVENUES BY SOURCE*



COUNTY EXPENDITURES BY TYPE OF OBLIGATION**



Local "Real Discretionary" Spending (5.8%)

*1984-85 Estimates which should not change significantly for 1985-86.
Data provided by State Controller's Office, Annual Report of County Budget Requirements and Means of Financing, page VI.

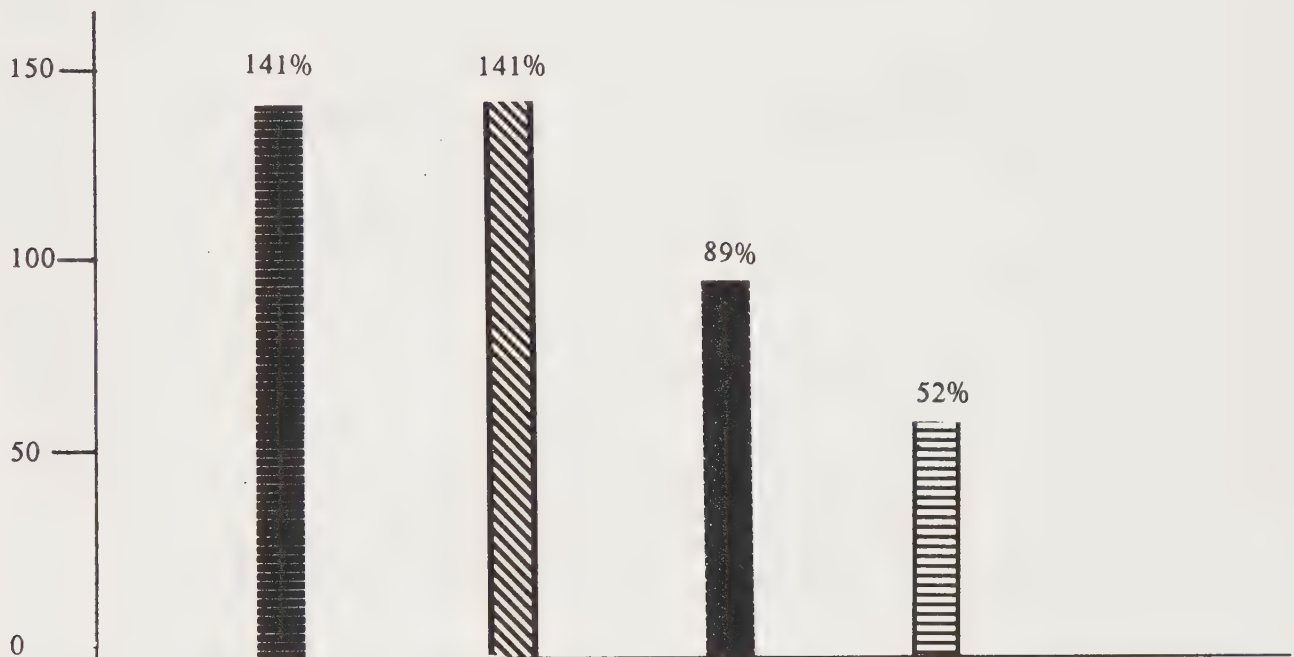
**Data based on CSAC County Budget Survey, July, 1985.

INCREASES IN NET COUNTY COSTS FOR WELFARE, JAILS AND COURTS

compared to

INCREASES IN STATE-DEFINED DISCRETIONARY REVENUE 1979-80 TO 1984-85*

Percent Increase



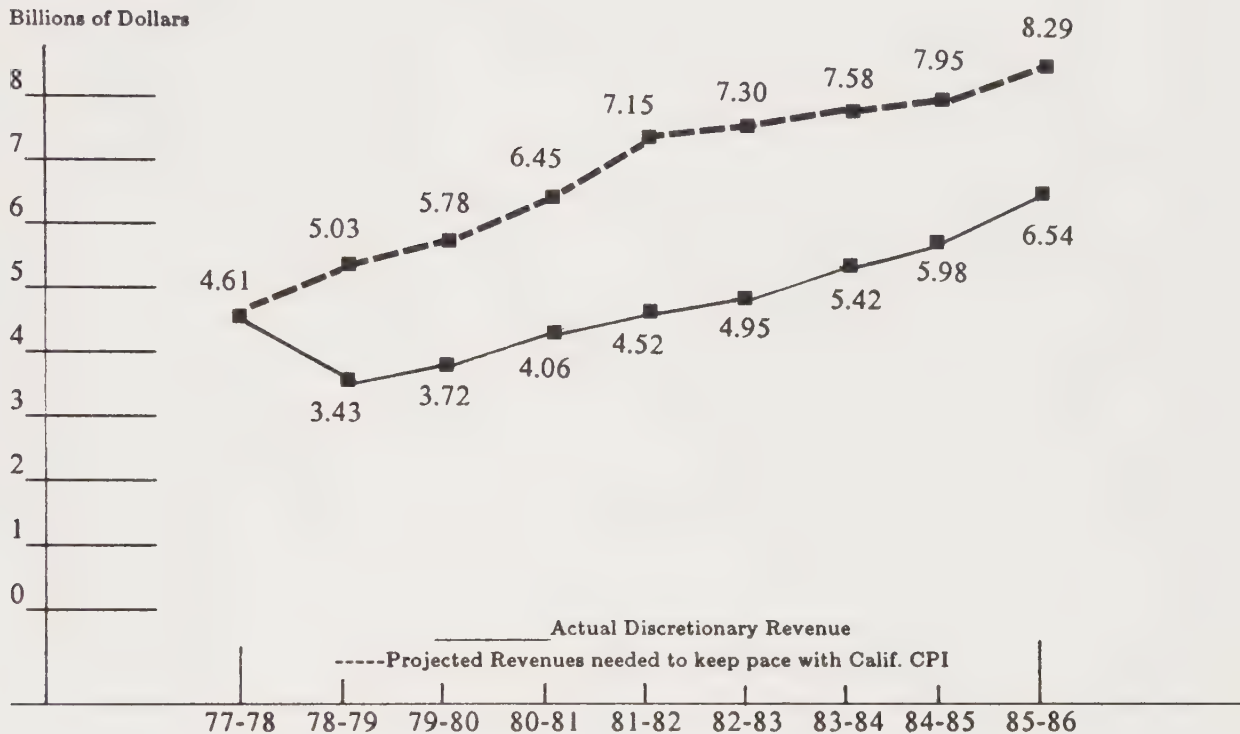
Key: Welfare: [Welfare pattern] Jails: [Jails pattern] Courts: [Courts pattern]

State-Defined Discretionary Revenue: [State-Defined Discretionary Revenue pattern]

State-Defined Discretionary Revenue: Those revenues not required to be spent for a specific program of service. The revenues include property taxes, sales taxes, fines and penalties, use of money and property, vehicle license fees, homeowners' and business inventory subventions, federal revenue sharing, other in-lieu revenue, and other revenue and taxes.

*Source: CSAC County Budget Survey, July, 1985; survey averages based on data from 44 counties. Definition of Discretionary Revenue provided by Department of Finance.

GAP BETWEEN INFLATION AND ACTUAL GROWTH of COUNTY DISCRETIONARY REVENUES



Discretionary Revenues: Those revenues not required to be spent for a specific program or service. The revenues include property taxes, sales taxes, fines and penalties, use of money and property, vehicle license fees, homeowners' and business inventory subventions, federal revenue sharing, other in-lieu revenue, and other revenue and taxes.

Source: Discretionary revenue and Consumer Price Index data provided by the Department of Finance. Data for 1984-85 and 1985-86 are estimates.

COUNTY FISCAL CRISIS: 1985-86

SUMMARY OF COUNTY FISCAL CONDITIONS

COUNTY	TOTAL 85-86 BUDGET (in millions)	% AVAIL. FOR REAL DISCRE- TIONARY SPEND- ING. 85-86	GENERAL RE- SERVE: % OF TOTAL BUDGET 85-86	PERCENT CHANGE FROM 1979-80 to 1984-85			
				EXPENDITURES			STATE-DEFINED DISCRETIONARY REVENUES
				WELFARE	JAILS	COURTS	
ALAMEDA	N/A	N/A	N/A	+44 %	+96 %	+52 %	+18 %
ALPINE*	\$ 4.3	N/A	N/A	412	N/A	10	N/A
AMADOR*	15.7	3.5 %	6.4 %	165	1430	60	69
BLUTE	78.8	6.7	0	117	260	159	34
CALAVERAS	16.0	4.3	1.9	298	73	111	N/A
COLUSA	14.0	13.1	7.8	234	192	199	20
CONTRA COSTA	352.5	7.9	2.9	20	48	63	N/A
DEL NORTE*	17.0	0.9	2.3	199	68	20	-13
EL DORADO	53.9	5.3	2.9	147	28	67	54
FRESNO	383.4	3.3	0.5	300	80	66	31
GLENN*	19.8	4.5	0	460	260	170	48
HUMBOLDT	66.1	2.0	0	66	74	44	2
IMPERIAL	62.9	1.2	0.8	67	50	68	47
KERN	358.2	12.2	N/A	80	167	781	N/A
KINGS	53.6	5.7	0	31	115	101	N/A
LAKE	50.3	10.9	3.6	112	130	97	73
LASSEN*	16.9	0.6	0	109	15	-3	24
LOS ANGELES	6,300	3.0	0.05	79	73	53	39
MADERA	46.3	4.2	0	102	109	77	N/A
MARIN	107.4	26.4	0	14	49	81	11
MENDOCINO	N/A	N/A	N/A	97	216	63	43
MERCED*	145.9	5.1	0.1	103	121	42	23
MONO*	18.1	1.9	1.0	46	62	56	39
MONTEREY	150.8	5.3	0.7	257	123	82	97
NAPA	58.2	6.8	N/A	66	71	98	N/A
ORANGE	1,200	6.1	N/A	N/A	85	108	87
PLACER	86.0	10.1	0	105	85	55	53
PLUMAS*	23.0	3.7	4.8	167	63	69	36
SACRAMENTO	748.0	3.8	0.5	74	70	89	65
SAN BENITO*	13.1	1.6	0	70	15	36	74
SAN DIEGO	934.9	9.4	1.1	185	175	75	56
SAN JOAQUIN	312.1	5.2	2.9	120	102	51	91
SAN MATEO	281.3	9.1	0	-23	100	80	77
SANTA CLARA	1,400	1.6	0.4	27	116	60	64
SHASTA	83.9	N/A	0	107	246	52	37
SIERRA*	5.9	2.0	1.0	82	161	105	29
SISKIYOU*	37.0	5.6	2.4	112	46	40	N/A
SOLANO	126.0	1.8	0.2	N/A	N/A	N/A	N/A
SONOMA	169.7	9.4	2.6	100	230	73	95
TEHAMA*	28.7	1.2	0	384	66	110	135
TULARE	217.0	6.0	0	164	52	48	58
TUOLUMNE	29.4	9.0	3.1	160	196	107	56
VENTURA	346.3	1.6	0.7	310	148	24	90
YOLO	\$ 78.9	4.5	1.9	150	69	43	N/A
SURVEY AVERAGES		5.7 %	1.4 %	+141 %	+141 %	+89 %	+52 %

* These counties face projected deficits for 1985-86 as of survey date.

I. "REAL" DISCRETIONARY REVENUES
AVAILABLE TO COUNTIES

	Alameda	Alpine (a)	Amador (b)	Butte	Calaveras	Colusa	Contra Costa	Del Norte(c)	El Dorado	Fresno	Glenn (d)
1. Total 1985-86 Budget Percent change from 84-85	N/A	\$ 4.3m +11.1%	\$ 15.7m -0.3%	\$78.8m +1.2%	\$16.0m -5.7%	\$14.0m +3.5%	\$352.5m +7.4%	\$17.0m +12.9%	\$53.9m +4.5%	\$383.4m -1.2%	\$17.9m +10.7%
2. Percent of 85-86 Budget earmarked by state for specific programs	N/A	N/A	47.8%	86.6%	51.1%	57.1%	43.0%	78.6%	56.9%	67.8%	64.8%
3. Percent of 85-86 Budget not earmarked	N/A	N/A	52.2%	13.4%	48.9%	42.9%	57.0%	21.4%	43.1%	32.2%	35.2%
4. Percent of 85-86 unear- marked funds spent on state-mandated matches/ functions	N/A	N/A	93.7%	54.2%	93.1%	69.6%	86.0%	N/A	87.6%	89.6%	N/A
5. Amount and percent of total Budget available for "Real" Discretionary Spending											
1985-86	N/A	N/A	\$551,000 3.5%	\$5.2m 6.7%	\$691,000 4.3%	\$ 1.8m 13.1%	\$27.8m 7.9%	\$146,000 0.9%	\$2.9m 5.3%	\$12.8m 3.3%	\$885,400 4.5%
1984-85	N/A	N/A	\$1.4m 8.7%	\$5.6m 7.3%	\$1.6m 9.1%	1.8m 13.4%	\$25.1m 7.7%	\$210,000 1.4%	\$2.6m 5.0%	\$13.6m 3.5%	\$1.4m 8.6%
6. Percent change in county funds spent on mandates: 1984-85 to 1985-86	N/A	N/A	+23.5%	+5.3%	N/A	+1.6%	+3.9%	+24.7%	+3.4%	+1.7%	+2.3%
7. Percent change in "Real" Discretionary spending: 1984-85 to 1985-86	N/A	N/A	-59.7%	-8.3%	-55.5%	+0.6%	+10.6%	-30.3%	+12.6%	-5.8%	-36.4%

Percents reflect 1985-86 budgeted amounts
which are out of balance as specified:

(a) Alpine: \$300,000 Deficit
(b) Amador: \$370,000 Deficit
(c) Del Norte: \$753,000 Deficit
(d) Glenn: \$1.8m Deficit

I. "REAL" DISCRETIONARY REVENUES
AVAILABLE TO COUNTIES

	Humboldt	Imperial	Kern	Kings	Lake	Lassen (e)	Los Angeles	Madera	Marin	Mendocino	Merced (f)
1. Total 1985-86 Budget Percent change from 84-85	\$66.1m -2.4%	\$62.9m +11.8%	\$358.2m +0.1%	\$53.6m -1.7%	\$50.3m +2.4%	\$16.9m 5.6%	\$6.3 billion +3.3%	\$46.3m +2.0%	\$107.4m +2.4%	N/A N/A	\$145.9m +9.7%
2. Percent of 85-86 Budget earmarked by state for specific programs	71.5%	72.8%	58.8%	66.8%	62.0%	76.3%	70.1%	64.7%	46.0%	N/A	69.4%
3. Percent of 85-86 Budget not earmarked	28.5%	27.2%	41.2%	33.2%	38.0%	23.7%	29.9%	35.3%	54.0%	N/A	30.6%
4. Percent of 85-86 <u>unear-</u> <u>marked funds spent on</u> <u>state-mandated matches/</u> <u>functions</u>	93.0%	95.7%	70.5%	82.7%	71.2%	N/A	90.1%	88.0%	51.1%	N/A	83.3%
5. Amount and percent of total Budget available for "Real" Discretionary Spending											
1985-86	\$1.3m 2.0%	\$739,013 1.2%	\$43.5m 12.2%	\$3.1m 5.7%	\$ 5.5m 10.9%	\$100,000 0.6%	\$185.0m 3.0%	\$1.9m 4.2%	\$28.4m 26.4%	N/A N/A	\$ 7.5m 5.1%
1984-85	\$1.4m 2.1%	\$ 2.9m 5.3%	\$39.0m 11%	\$3.7m 6.8%	\$ 5.6m 11.3%	\$906,000 5.6%	\$181.0m 3.0%	\$2.0m 4.5%	\$34.9m 33.2%	N/A N/A	\$ 8.2m 6.2%
6. Percent change in county funds spent on mandates: 1984-85 to 1985-86	-2.9%	+12.2%	+8.8%	+11.6%	+16.2%	+17.3%	+5.6%	+10.3%	+13.0%	N/A	+9.5%
7. Percent change in "Real" Discretionary spending: 1984-85 to 1985-86	-5.4%	-75.2%	+11.7%	-16.5%	-1.1%	-89.0%	+2.5%	-2.8%	-18.7%	N/A	-9.0%

Percents reflect 1985-86 budgeted amounts which are out of balance as specified:

(e) Lassen: \$1.5m Deficit
(f) Merced: \$1,189,252 Deficit

I. "REAL" DISCRETIONARY REVENUES
AVAILABLE TO COUNTIES

	Mono (g)	Monterey	Napa	Orange	Placer	Plumas (h)	Sacto	San Benito (i)	San Diego	San Joaquin	San Mateo
1. Total 1985-86 Budget Percent change from 84-85	\$18.1m +8.7%	\$150.8m +0.4%	\$58.2m +19.5%	\$1.2 billion +2.8%	\$86.0m +0.7%	\$23.0m +19.0%	\$748.0m +2.1%	\$13.1m +10.0%	\$934.9m +5.4%	\$312.1m +6.0%	\$281.3m +3.2%
2. Percent of 85-86 Budget <u>earmarked by state</u> for specific programs	56.6%	58.0%	66.4%	74.6%	61.2%	72.8%	72.7%	52.6%	64.8%	72.5%	56.0%
3. Percent of 85-86 Budget <u>not earmarked</u>	43.4%	42.0%	33.6%	25.4%	38.8%	27.2%	27.3%	47.4%	35.2%	27.5%	44.0%
4. Percent of 85-86 <u>unear-</u> <u>marked funds spent on</u> <u>state-mandated matches/</u> <u>functions</u>	98.6%	87.3%	79.7%	75.8%	74.0%	86.5%	86.0%	96.6%	73.4%	81.2%	79.3%
5. Amount and percent of <u>total Budget available</u> <u>for "Real" Discretionary</u> <u>Spending</u>											
1985-86	\$350,000 1.9%	\$7.9m 5.3%	\$ 3.9m 6.8%	\$70.9m 6.1%	\$8.7m 10.1%	\$844,000 3.7%	\$28.7m 3.8%	\$212,000 1.6%	\$87.6m 9.4%	\$16.1m 5.2%	\$25.7m 9.1%
1984-85	\$986,000 5.9%	\$6.5m 4.3%	\$ 3.3m 6.7%	\$83.2m 7.4%	\$9.5m 11.1%	\$638,000 3.3%	\$24.1m 3.3%	\$622,000 5.2%	\$78.7m 8.9%	\$17.8m 6.0%	\$30.0m 11.0%
6. Percent change in county funds spent on mandates: 1984-85 to 1985-86	+7.4%	+6.4%	+3.0%	+12.7%	+5.0%	+19.2%	+1.7%	+19.6%	+7.7%	+5.1%	+8.3%
7. Percent change in "Real" Discretionary spending: 1984-85 to 1985-86	-64.5%	+24.0%	+21.7%	-14.8%	-8.0%	+32.3%	+19.1%	-65.8%	+11.2%	-9.6%	-14.6%

Percents reflect 1985-86 budgeted amounts which are out of balance as specified:

(g) Mono: \$1.5m Deficit

(h) Plumas: \$1m Deficit

(i) San Benito: \$124,000 Deficit

I. "REAL" DISCRETIONARY REVENUES
AVAILABLE TO COUNTIES

	Santa Clara	Shasta	Sierra (j)	Siskiyou (k)	Solano	Sonoma	Tehama (L)	Tulare	Tuolumne	Ventura	Yolo
1. Total 1985-86 Budget Percent change from 84-85	\$ 1.4 billion +6.3%	\$83.9m -10.5%	\$ 5.9m +7.6%	\$ 37.0m -5.3%	\$126.0m +11.7%	\$169.7m +5.0%	\$ 28.7m +4.5%	\$217.0m +21.2%	\$29.4m +7.6%	\$346.3m +11.1%	\$78.9 +7.4
2. Percent of 85-86 Budget earmarked by state for specific programs	78.4%	74.1%	65.5%	63.3%	66.1%	51.8%	70.9%	75.4%	59.2%	64.9%	56.5
3. Percent of 85-86 Budget not earmarked	21.6%	25.9%	34.5%	36.7%	33.9%	48.2%	29.1%	24.6%	40.8%	35.1%	43.5
4. Percent of 85-86 unear- marked funds spent on state-mandated matches/ functions	92.6%	N/A	93.9%	85.4%	94.7%	82.1%	95.9%	75.7%	78.0%	95.4%	89.8
5. Amount and percent of total Budget available for "Real" Discretionary Spending											
1985-86	\$18.1m 1.6%	N/A N/A	\$115,300 2.0%	\$2.1m 5.6%	\$2.3m 1.8%	\$16.3m 9.4%	\$346,000 1.2%	\$12.9m 6.0%	\$2.6m 9.0%	\$5.6m 1.6%	\$3.5 4.5
1984-85	\$25.8m 2.4%	N/A N/A	\$ 98,400 1.8%	\$2.5m 6.4%	\$2.0m 1.7%	\$14.5m 9.0%	\$895,000 3.3%	\$15.6m 8.7%	\$2.4m 8.8%	\$3.1m 1.0%	\$3.5 4.8
6. Percent change in county funds spent on mandates: 1984-85 to 1985-86	+18.1%	N/A	+9.7%	+0.3%	+17.2%	+9.5%	+21.3%	+14.7%	+3.7%	+7.3%	+56.3
7. Percent change in "Real" Discretionary spending: 1984-85 to 1985-86	-30.0%	N/A	+17.2%	-17.9%	+14.4%	+10.4%	-61.3%	-16.8%	+10.2%	+83.8%	-0.9

Percents reflect 1985-86 budgeted amounts which are out of balance as specified:

(j) Sierra: \$354,000 Deficit
(k) Siskiyou: \$1.1m Deficit
(L) Tehama: \$1.06m Deficit

II. COUNTY SURPLUSES AND RESERVES AS A % OF TOTAL BUDGET

	Alameda	Alpine	Amador	Butte	Calaveras	Colusa	Contra Costa	Del Norte	El Dorado	Fresno	Glenn
1. Reserves for emergencies as percent of total county budget:											
- 1984-85	0.4%	0%	6.3%	0.8%	1.8%	8.1%	3.1%	2.6%	2.1%	0%	0%
- 1985-86	N/A	N/A	6.4%	0%	1.9%	7.8%	2.9%	2.3%	2.9%	0.5%	0%
2. Reserves for contingencies as percent of total county budget:											
- 1984-85	2.3%	1.3%	2.3%	2.4%	1.8%	5.5%	N/A	0.5%	3.5%	1.3%	5.6%
- 1985-86	N/A	N/A	0%	1.1%	1.2%	3.9%	N/A	0.3%	2.4%	1.0%	3.3%
3. Change in the percent of budget carried over from one year to the next 1979-80 to 1984-85*	N/A	N/A	-28.0%	-35.2%	N/A	+2.2%	-74.0%	-84.4%	-63.2%	-19.0%	+6.8%

* A strong indicator of a county's economic health is the increase or decrease in the amount of money carried over from one year to the next. A declining carry-over balance means that a county has not received enough revenue to meet its service demands. Therefore, the county must eat into its reserves in order to survive from one year to the next.

II. COUNTY SURPLUSES AND RESERVES AS A % OF TOTAL BUDGET

	Humboldt	Imperial	Kern	Kings	Lake	Lassen	Los Angeles	Madera	Marin	Mendocino	Merced
1. Reserves for emergencies as percent of total county budget:											
- 1984-85	0%	0.9%	N/A	0%	3.7%	0.7%	0.05%	0%	0%	0.5%	0.1%
- 1985-86	0%	0.8%	N/A	0%	3.6%	0%	0.05%	0%	0%	N/A	0.1%
2. Reserves for contingencies as percent of total county budget:											
- 1984-85	0%	1.8%	3.8%	1.4%	3.9%	0%	0%	1.9%	0.3%	0%	0.7%
- 1985-86	0%	1.0%	2.3%	1.4%	4.0%	0%	0%	1.7%	0.3%	N/A	0.1%
3. Change in the percent of budget carried over from one year to the next 1979-80 to 1984-85*	-86.0%	-293%	-62.3%	N/A	+63.0%	-85.2%	-84.7%	-19.1%	+144.0%	-72.1%	-39.3%

* A strong indicator of a county's economic health is the increase or decrease in the amount of money carried over from one year to the next. A declining carry-over balance means that a county has not received enough revenue to meet its service demands. Therefore, the county must eat into its reserves in order to survive from one year to the next.

II. COUNTY SURPLUSES AND RESERVES AS A % OF TOTAL BUDGET

	Mono	Monterey	Napa	Orange	Placer	Plumas	Sacto	San Benito	San Diego	San Joaquin	San Mateo
1. Reserves for emergencies as percent of total county budget:											
- 1984-85	1.1%	0%	N/A	N/A	0.5%	5.7%	0.5%	0%	1.0%	2.8%	2.3%
- 1985-86	1.0%	0.7%	N/A	N/A	0%	4.8%	0.5%	0%	1.1%	2.9%	0%
2. Reserves for contingencies as percent of total county budget:											
- 1984-85	3.8%	1.7%	3.2%	2.7%	1.7%	1.5%	0.8%	0.3%	0%	1.2%	1.8%
- 1985-86	1.9%	1.2%	2.6%	2.2%	1.5%	2.2%	0.5%	0.5%	1.0%	1.4%	1.9%
3. Change in the percent of budget carried over from one year to the next 1979-80 to 1984-85*	-71.3%	-60.2%	-15.7%	-58.3%	-0.1%	-51.5%	-68.0%	-9.0%	-59.0%	+88.9%	+2.1%

* A strong indicator of a county's economic health is the increase or decrease in the amount of money carried over from one year to the next. A declining carry-over balance means that a county has not received enough revenue to meet its service demands. Therefore, the county must eat into its reserves in order to survive from one year to the next.

II. COUNTY SURPLUSES AND RESERVES AS A % OF TOTAL BUDGET

	Santa Clara	Shasta	Sierra	Siskiyou	Solano	Sonoma	Tehama	Tulare	Tuolumne	Ventura	Yolo
1. Reserves for emergencies as percent of total county budget:											
- 1984-85	0.5%	0.8%	1.1%	2.4%	0.2%	2.5%	0%	0%	3.0%	1.6%	2.0%
- 1985-86	0.4%	0%	1.0%	2.4%	0.2%	2.6%	0%	0%	3.1%	0.7%	1.9%
2. Reserves for contingencies as percent of total county budget:											
- 1984-85	0.5%	0.6%	0.5%	0%	1.2%	1.5%	1.3%	1.0%	0.5%	0.9%	1.5%
- 1985-86	0.6%	0.5%	0.8%	0%	0.8%	2.1%	0%	0%	0.8%	0.3%	1.3%
3. Change in the percent of budget carried over from one year to the next 1979-80 to 1984-85*	-33.0%	+200.0%*	-74.0%	-10.5%	-18.9%	N/A	-98.0%	-90.7%	-20.0%	-53.7%	-80.0%
		*73% decrease from 1984-85 to 1985-86.									

* A strong indicator of a county's economic health is the increase or decrease in the amount of money carried over from one year to the next. A declining carry-over balance means that a county has not received enough revenue to meet its service demands. Therefore, the county must eat into its reserves in order to survive from one year to the next.

III. INCREASES IN COUNTY COSTS FOR SELECTED STATE
MANDATED PROGRAMS VS. GROWTH IN STATE DEFINED
(NOT "REAL") DISCRETIONARY REVENUES

	Alameda	Alpine	Amador	Butte	Calaveras	Colusa	Contra Costa	Del Norte	El Dorado	Fresno	Glenn
1. County Cost increases for state-mandated programs: 1979-80 to 1984-85											
- Welfare	+44%	+412%	+165%	+117%	+298%	+234%	+20%	+299%	+147%	+300%	+460%
- Jails	+96%	N/A	+1430%	+260%	+73%	+192%	+48%	+68%	+28%	+80%	+260%
- Courts	+52%	+10%	+60%	+159%	+111%	+199%	+63%	+20%	+67%	+66%	+170%
2. In Contrast, growth in county discretionary revenues (as defined by the state, not "real"), 1979-80 to 1984-85											
	+18%	N/A	+69%	+34%	N/A	+20%	N/A	-13%	+54%	+31%	+48%

III. INCREASES IN COUNTY COSTS FOR SELECTED STATE
MANDATED PROGRAMS VS. GROWTH IN STATE DEFINED
(NOT "REAL") DISCRETIONARY REVENUES

	Humboldt	Imperial	Kern	Kings	Lake	Lassen	Los Angeles	Madera	Marin	Mendocino	Merced
1. <u>County Cost increases for</u> <u>state-mandated programs:</u> 1979-80 to 1984-85											
- Welfare	+66%	+67%	+80%	+31%	+112%	+109%	+79%	+102%	+19%	+97%	+103%
- Jails	+74%	+50%	+167%	+115%	+130%	+15%	+73%	+109%	+49%	+216%	+121%
- Courts	+44%	+68%	+781%	+101%	+97%	-3%	+53%	+77%	+81%	+63%	+42%
2. <u>In Contrast, growth in</u> <u>county discretionary</u> <u>revenues (as defined by</u> <u>the state, not "real"),</u> 1979-80 to 1984-85											
	+2%	+47%	N/A	N/A	+73%	+24%	+39%	N/A	+11%	N/A	+23%

III. INCREASES IN COUNTY COSTS FOR SELECTED STATE
MANDATED PROGRAMS VS. GROWTH IN STATE DEFINED
(NOT "REAL") DISCRETIONARY REVENUES

	Mono	Monterey	Napa	Orange	Placer	Plumas	Sacto	San Benito	San Diego	San Joaquin	San Mateo
1. County Cost increases for state-mandated programs: 1979-80 to 1984-85											
- Welfare	+46%	+257%	+66%	N/A	+105%	+167%	+74%	+70%	+185%	+120%	-23%
- Jails	+62%	+123%	+71%	+85%	+85%	+63%	+70%	+15%	+175%	+102%	+100%
- Courts	+56%	+82%	+98%	+108%	+55%	+69%	+89%	+36%	+75%	+51%	+80%
2. In Contrast, growth in county discretionary revenues (as defined by the state, not "real"), 1979-80 to 1984-85											
	+39%	+97%	N/A	+87%	+53%	+36%	+65%	+74%	+56%	+91%	+77%

III. INCREASES IN COUNTY COSTS FOR SELECTED STATE
MANDATED PROGRAMS VS. GROWTH IN STATE DEFINED
(NOT "REAL") DISCRETIONARY REVENUES

	Santa Clara	Shasta	Sierra	Siskiyou	Solano	Sonoma	Tehama	Tulare	Tuolumne	Ventura	Yolo
1. County Cost increases for state-mandated programs: 1979-80 to 1984-85											
- Welfare	+27%	+107%	+82%	+112%	N/A	+100%	+384%	+164%	+160%	+310%	+150%
- Jails	+116%	+246%	+161%	+46%	N/A	+230%	+66%	+52%	+196%	+148%	+69%
- Courts	+60%	+52%	+105%	+40%	N/A	+73%	+110%	+48%	+107%	+24%	+43%
2. In Contrast, growth in county discretionary revenues (as defined by the state, not "real"), 1979-80 to 1984-85											
	+64%	+37%	+29%	N/A	N/A	+95%	+135%	+58%	+56%	+90%	N/A

GLOSSARY

TOTAL BUDGET:	All General Funds. Does not include Enterprise Funds or Special Districts.
TOTAL UNEARMARKED DOLLARS:	All funds received by the county that do not have to be spent on a specific program or service. This is the same thing as "state-defined" discretionary revenue. Revenues included are property taxes, sales taxes, fines and penalties, use of money and property, vehicle license fees, homeowners' and business inventory subventions, federal revenue sharing, and other in-lieu revenues.
MANDATED MATCHES AND FUNCTIONS:	Programs and functions which the county is required to provide by either the state or federal government. The total dollar amounts in these columns are the county's net costs, after all state or federal matching funds are subtracted.
REAL DISCRETIONARY SPENDING:	The amount of funding available to the county, after expenditure obligations for mandated matches and functions have been met, for allocation to functions which the county is not required to provide.
RESERVES FOR EMERGENCIES:	The county's General Reserve.

COUNTY FISCAL CRISIS: 1985-86

Short- and Long-Term Solutions

August 19, 1985

**TO: Governor Deukmejian
Members of the Senate and the Assembly
All Interested Parties**

FROM: Larry E. Naake, CSAC Executive Director

SURVEY RESULTS

During the past two months, I have sent to you the results of a survey CSAC conducted on the cause and extent of each county's budget problems. Our survey demonstrated that there is a fiscal crisis unfolding in California county government!

Half of our counties are in serious financial trouble with no immediate remedies in sight. While there is no single cause of this crisis, each county cited the difficult burden of funding state-mandated, caseload driven programs, especially in the areas of welfare, courts and jails.

It has not been an enjoyable task for CSAC in the past decade to repeat the now familiar refrain that California counties have insufficient discretionary funds to assume more state-mandated programs. Our warnings over the years have been mostly ignored, and some California counties are now at the brink of bankruptcy. Our survey indicates that other counties will face equal financial hardships within the next several years.

The results of our survey are grim and startling:

- Many counties are facing significant shortfalls in the five percent to ten percent range and are implementing drastic program cuts and employee layoffs.
- There is a continuing trend of uncontrollable and rapidly increasing costs in three areas: 1) jails, 2) courts, and 3) state mandated welfare programs. These are caseload driven programs beyond the control of counties.

- Discretionary revenues are not increasing as fast as these mandated, caseload driven expenditures -- only about one-third as fast since 1979-80.
- The extent of each county's "real" discretionary spending is much less than what is expected or necessary: the vast majority are less than ten percent and some as low as one or two percent of their total budgets.
- Of the counties we surveyed, the average reserve is significantly less than the 3.7 percent that the Governor and the Legislature have indicated as necessary for a prudent reserve for economic uncertainties. The reserve level of counties in some cases is zero and in other cases is from one-half to three percent.

This crisis is particularly frustrating to us when we see legislative proposals which assume that our counties are in sound financial condition with healthy reserves. For example, there have been several bills which would require dollar-for-dollar matches for road improvement projects. Some of our counties are so poor there would be no road improvements even if the match were ten cents on the dollar.

In the past several weeks, we have shared our survey results with the news media. We have had considerable coverage on television and radio broadcasts, and in newspaper articles and editorials. Not one news account or editorial has been critical of our position that the state has placed an unfair burden on counties. As the Santa Rosa Press Democrat editorialized, for California's 58 counties the sky may indeed be falling.

All California counties are required to adopt their final 1985-86 budgets before August 30. Several counties arrived at a balanced budget only by including anticipated revenues from several bills now pending in the Legislature. This may not seem fiscally prudent, but the counties had no other choice if required services were to be maintained.

SHORT-TERM SOLUTIONS

In the months ahead, we will be talking with you about long-range solutions for a stable source of funding for California counties. However, in the short term, we seek your support on eight key legislative measures which will alleviate the county budget crisis. These bills are:

1. **AB 340 (Costa).** This bill would limit a county's share of cost for AFDC grants and administration to the statewide average percentage growth of

general purpose revenues for all counties. It appropriates \$7.5 million for 1985-86.

2. **SB 1091 (Campbell).** Recent amendments to this bill provide for \$142.7 million in new, uncommitted revenue to counties from the Vehicle License Fee receipts.
3. **SB 300 (Foran).** This bill would provide for \$340 million for much needed repairs of county roads. While the Senate has eliminated any matching requirement for these funds, there is still some discussion of including a match in the bill. We support this bill, if amended, to take care of the problems created by the maintenance of effort requirement, and we wish to keep the bill free of any matching requirement.
4. **AB 454 (Vicencia).** Assembly Bill 454 permanently establishes the cost sharing ratio for the non-federal portion of the Foster Care Program at 95 percent state, 5 percent county. This sharing arrangement is scheduled to expire because of past concerns about needed reforms of foster care. These reforms have since been realized through Senator Presley's SB 14 and Assembly Member Moore's AB 2695 of 1982, and federal legislation. Therefore, the 95-5 sharing should be made permanent.
5. **SB 424 (Presley).** Legislation to provide relief to counties with extraordinary trial costs by 1) extending existing law which requires the state to pay for the extraordinary costs of prosecuting capital cases to include all felony prosecutions which entail extraordinary county costs, and 2) allowing a county to invite the Attorney General to prosecute and pay for large and complex cases.
6. **AB 216 (McAllister).** Would provide \$50 million dollars to reimburse local government for its state-mandated 1984-85 and 1985-86 unemployment insurance costs. Unless the Legislature passes a bill to reimburse local government for this state mandate, it is likely the state's unemployment insurance system will be found out of compliance with the federal requirements.
7. **AB 19 (Robinson).** Would establish a program of increased state funding of trial court operations on a county-option basis. Counties opting in to the program would receive a quarterly block grant of approximately \$410,000 per judgeship.
8. **AB 2545 (Robinson).** Would permit construction of jail facilities upon a finding by the board of supervisors of an emergency need. Would also provide \$150 million in bond funds for specified county jail construction.

LONG-TERM SOLUTIONS

The above bills will aid counties in getting by during this fiscal year (1985-86). However, it is probable that Federal General Revenue Sharing will *not* be reauthorized in 1986, that California counties will lose over \$250 million

in general purpose revenues, and that we will be back to the legislature looking for another "quick fix." This annual "quick fix" cannot continue. In the long term, we *must* work together to provide a stable source of funding for California counties. And, we must develop a mutual understanding of the true impact on counties of state-mandated programs. If California counties are to continue to have the responsibility for being the sole provider for a wide variety of services, then the counties must have a stable funding source to support these programs.

CSAC continues to advance the following principles to achieve long-term fiscal stability and a meaningful relationship with the state:

1. Establish a major block grant program for the courts and the justice system or have the state assume full responsibility for the courts.
2. Establish a stable funding source for our existing state required responsibilities. We suggest that a portion of the *existing* state sales tax be transferred to the counties, along with program responsibility, to fund such programs as AB 8 health services, the medically indigent adult program, mental health, and drug and alcohol abuse.
3. Transfer full responsibility for income redistribution programs (AFDC and general assistance) from the counties to the state.
4. Provide counties with an independent local revenue source (we have *none* now).
5. Provide counties with greater home rule authority similar to the "municipal affairs doctrine" granted cities.
6. Tighten up the state's ability to continue to pass "unfunded" state mandates upon the counties.

We hope to be working with you in the weeks and months ahead on both the short and long-term solutions to the major crises facing counties. Please contact me if you have any questions, comments, or ideas.

Attached are a dozen newspaper articles and editorials on the economic plight of California counties -- a sample of the more than 150 clippings we have received in the past several weeks.

cc: **California Congressional Delegation**
All County Supervisors
All County Administrative Officers

Santa Rosa, CA
(Sonoma Co.)
Press Democrat
(Cir. D. 71,055)
(Cir. S. 78,715)

JUL 31 1985

Maybe the sky is falling 1416

Forgive officials of California's 58 counties for crying, "The sky is falling! The sky is falling!" In their barnyard, the sky may be falling.

The chronic financial headaches of county government have been diagnosed before. Counties were banged side the head by Proposition 13 because more than other subdivision of government, counties depended on property tax revenues. In addition, counties have been repeatedly victimized by the State Legislature which mandates programs in welfare, medical care, mental health and other areas — without providing the money to pay for them.

Now comes a new series of ailments, including:

- Huge increases in liability insurance costs. Contra Costa County, for example, recently reported its insurance costs doubled this year. Skyrocketing costs result from the legislature's refusal to reform so-called "deep pockets" laws, which have resulted in outrageous settlements.

- A Supreme Court ruling which requires counties and other government agencies to pay overtime, rather than permit employees to take "comp time." The cost in California alone is estimated at \$300 million annually.

- Tougher sentencing laws which impose substantial new costs for construction and operation of courts and jails.

The County Supervisors Association of California recently surveyed the damage and found the results "grim and startling."

In Sonoma County, clues to the coming hard times were available this month when Supervisors were compelled to order spending cuts for several desirable enterprises including the Juvenile Delinquency Prevention Commission, the Economic Development Board and the Commission on the Status of Women.

But the fact remains that Sonoma County's financial condition is better than most other counties. Sonoma County enjoys growing revenues — thanks to a unique industry, geothermal power, and thanks to new construction which translates into a higher assessed valuation. The county is also fortunate because the cost of the new jail, about \$40 million, is mandated by a court order, and therefore, exempt from the spending limits of Proposition 4.

But the Sonoma County's advantage may be temporary. The opening of the new jail, for example, will produce major increases in operating costs.

What these ailing counties need is help from the State Legislature. Unfortunately, when it comes to sharing revenues, state lawmakers have long viewed county governments as residents of a separate planet.

Dan Walters



Counties feel financial pinch

CRESCENT CITY — This is about as far north as one can travel and still stand on California soil.

Some refer to the region as "Baja Oregon."

Nevertheless, Del Norte County is California. And it means, among other things, it is as subject to the whims of the Legislature as any other — perhaps more so, given rural areas' lack of political clout.

Del Norte County supervisors, like their counterparts in the other 57 counties, are wrestling these days with their county budget.

As budgets go, it's not a big one — about \$12 million. Los Angeles County probably spends that much on paper clips. But L.A. has 8 million people while Del Norte has about 18,000.

The problem for Del Norte — one mirrored throughout the state — is that the projected expenses for the 1985-86 fiscal year, already under way, are \$1 million more than county revenues.

What's happening in Del Norte and most of the other counties in California is that major political decisions made in the late 1970s and early 1980s are finally being felt.

Chief among those, of course, was Proposition 13. But it wasn't the only one. The tough anti-crime legislation that became politically faddish during the same era not only has overfilled state prisons but has had a similar impact on county jails.

Court decisions, too, have played havoc with county budgets — everything from expanded civil liability, which has increased insurance premiums as much as 800 percent in some counties, to decisions requiring more extensive and expensive defenses for those accused of crimes.

Counties, unlike cities, exist primarily as subsidiaries of the state in administering courts, health and welfare programs and other services.

There has been a tendency for the state to pile more responsibilities on to counties without commensurate funds. That worked, after a fashion, as long as county governments could adjust their property tax rates to meet revenue needs. But in the post-Proposition 13 world, these state mandates have become more burdensome and that, in turn, has sparked political and judicial efforts by county officials to gain relief from them.

"It's finally the end of the road," says Larry Naake, executive director of the County Supervisors Association of California. "We've been fixing it on a crisis basis for five or six years and we've run out of materials to fix it."

Faced with the state mandates on certain programs, such as welfare, county officials have turned to the few areas in which they have discretion, such as libraries and parks, to make cuts. Tehama County, for example, has closed all branch libraries.

Even sheriff's patrols, which are politically popular, have been reduced in some counties.

Essentially, the counties' financial problems must be laid at the door of the Capitol.

State legislators and two governors have failed to deal with the realities of Proposition 13.

There has been a succession of short-term bailouts but there has been an unwillingness to fundamentally realign the relationship between counties and the state.

It's time to decide what are legitimate shares of state and county financial burdens. Should not, for example, the state assume the costs of operating the courts, since courts

are totally dependent on the Legislature and higher courts for direction? A bill doing that was passed by the Legislature last year but vetoed by Gov. Deukmejian.

Naake's organization has been pursuing the concept of the state's shifting to counties a revenue source — such as 1 cent of the sales tax — and using that to finance a variety of state-mandated programs, thus taking state aid out of the annual budget process.

Once these responsibilities are realigned, then the state must give counties some independent source of discretionary revenue.

It is unfair to impose state mandates on county supervisors and then force them to cut their discretionary programs, such as libraries or sheriff's patrols, to finance those mandates. Supervisors should have both the power and the political responsibility for adjusting some revenue source, such as a supplemental sales tax.

Otherwise, there's little reason to maintain the counties as supposedly separate units of government. And, in fact, any comprehensive approach to county government should at least entertain the thought — political poison in some circles — of combining some of the smaller counties into larger, more efficient units of government.

San Mateo, CA
(San Mateo Co.)
Times
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¹⁴¹⁶ Fiscal problems multiply for many counties in state

JUL 10 1985

As we noted last month, the budget prospects for the San Mateo County budget are so fiscally favorable right now that some officials say they border on the "boring." That's certainly not the picture in many California counties.

Larry Naake, executive director of the County Supervisors Association of California, reports that half of the state's 58 counties are in serious financial trouble with no solution in sight. An association survey, he says, found a worsening trend of "uncontrollable and rapidly increasing costs" in two major areas — criminal justice and state-mandated social service programs.

County supervisors throughout the state, according to Naake, are reluctantly resorting to a number of cost-cutting measures such as reducing the number of public safety employees, trimming criminal prosecution staffs, abandoning some road repairs, and "eliminating what remains of discretionary programs such as libraries, parks and recreation."

He cited these specific examples of actual and developing problems:

- Butte County — Facing a \$4 million shortfall in next year's budget, roughly 10 percent of its current budget, approximately 10 percent of the county's employees are expected to be laid off. Increased welfare costs have been a particularly heavy burden.
- Fresno County — With adoption of an austere \$354 million budget, about 170 county employees will lose their jobs.
- Imperial County — Although the overall California unemployment rate stands at about 7.8 percent, this county has an unemployment rate of 40 percent, threatening increased welfare expenditures.
- Kings County — Criminal justice expenditures alone now exceed the total of this county's property tax revenues.

Naake was especially critical of the mistaken impression in the Deukmejian administration and the Legislature that county governments "merely have to trim the fat" in order to balance their budgets. What state officials fail to understand, he says, is that present "financial problems are beyond the control of the counties," primarily because the latter are faced with "ever-increasing crime rates and state-mandated social programs."

From this perspective, it is not hard to understand why San Mateo County's healthy financial condition right now can only be envied by many other county governments in California.

New Costs, Slim Revenue Pinch Small Counties

By REBECCA LaVALLY, *United Press International*

SACRAMENTO—Tehama County prosecutors, faced with substantial court costs for a notorious sex slave case, considered plea bargaining to save money for their financially troubled county.

Cameron Hooker, a mill worker accused of abducting and holding a young woman as his slave for seven years, might have received a prison term of only three or four years, instead of as much as 100, for pleading guilty to reduced charges.

The plea could have saved the county \$100,000 in trial costs, Tehama County Dist. Atty. Jim Lang estimated.

The state attorney general's office intervened to forbid plea bargaining as a way to save money in the heavily publicized case.

Although the trial will be held in San Mateo County, most costs will be borne by Tehama County, where the alleged crimes occurred.

It may be one of the most dramatic of cost-saving steps being considered by a number of counties faced with mounting expenses they cannot escape while lacking a corresponding jump in revenues.

"You have a whole region in crisis up here," said Martin Nichols, Butte County's chief administrative officer.

Others estimate that as many as half of California's 58 counties may be in fiscal hot water in a lingering demonstration of the effects of 1978's property tax-cutting Proposition 13.

Nichols was one of eight county representatives who met last week with Senate Republican Leader James W. Nielsen of Woodland to seek help with budget problems.

"Part of our frustration is trying to get people in Sacramento and elsewhere in the state to understand our problems," Nichols said.

Lawmakers passed a bill last year to provide stable long-term financing for local governments, but it did not address what county administrators say is their real trouble—the open-ended criminal and welfare costs that the law requires them to pay without any open-ended way to raise revenues.

Several counties are considering cutbacks in workers, fire stations, libraries and law enforcement in the 1985-86 budgets.

Nichols said new money Butte County received under last year's long-term financing bill was entirely offset by the county's share of a state-ordered increase in welfare benefit payments.

A proposed cut of nearly 10% in Butte County's roughly 1,000-member work force would affect virtually all areas of county services, including the probation and sheriff's offices, libraries and fire protection.

After passage of Proposition 13, counties were

left with little option for handling new costs. They can increase motel room assessments, but there are relatively few motels in hard-hit rural

'Half of California's 58 counties are in serious financial trouble with no immediate remedies in sight.'

—Larry Naake, executive director of the County Supervisors Assn. of California

areas.

Troubles within the agricultural community are partly to blame for small counties' fiscal problems, because drops in agricultural land values have lowered property tax revenues.

The state budget for 1985-86 newly signed by Gov. George Deukmejian does not address the issue.

An 11th-hour addition of \$500,000 was included to pay costs of the attention-grabbing mass murder investigation in Calaveras County but county budget officers whose problems do not generate big headlines say they are caught in a squeeze that no one is paying much attention to.

"Half of California's 58 counties are in serious financial trouble with no immediate remedies in sight," said Larry Naake, executive director of the County Supervisors Assn. of California.

Less than two weeks away from a new fiscal year, county supervisors throughout the state are cutting the number of public safety employees, trimming criminal prosecution staffs, abandoning roads and eliminating what remains of such discretionary programs as libraries, parks and recreation, he said.

Naake said that Fresno County supervisors accepted a budget last week that reduces county jobs, that Glenn County faces a layoff of 38 employees to cope with a \$1.6-million shortfall and that Shasta County is preparing to eliminate 175 positions.

In Tehama County, welfare costs have increased by 22%, and a rash of murders has burdened the criminal justice system.

"Things keep getting worse for Tehama County," Naake said. "There is only one jailer per shift for 90 County Jail inmates, and the

sheriff's deputies may be driving the same patrol cars for at least one more year, even though these cars already have as much as 180,000 rough miles on them."

Counties complain of financial drain by welfare, courts, jails

Associated Press

SACRAMENTO — California's counties are complaining that they're being financially drained by welfare, courts and jails — on state orders that they can't do much about.

The County Supervisors' Association of California, a lobbying group, has issued what it calls "grim and startling" results of a fiscal survey of the 58 counties. Its conclusion: "Counties throughout the state are facing severe financial problems."

The counties reported they aren't getting the money that the Legislature appropriates to carry out state programs. The report said that for fiscal 1984-85, the counties were to get \$115 million — but by May 1985 had received only \$28.4 million. The estimate for fiscal 1985-86 is \$107.1 million, with eventual receipts a question mark.

But the overshadowing villain, according to the report, is "state-mandated, caseload-driven programs, particularly in the areas of welfare, courts and jail ... beyond the control of counties."

In addition, liability insurance premiums have increased sharply. They have doubled in Contra Costa County in a budget that has risen only 2.8 percent — less than the inflation rate — from fiscal 1984-85 to 1985-86.

Glenn County, which expects to cut 38 county jobs, says it faces a doubling of insurance costs.

The County Supervisors' Association says these "uncontrollable and rapidly increasing costs" are growing faster than revenues.

Association executive director Larry Naake says this means that the normal 10 percent "real discretionary spending" on libraries, parks and cultural things, has shrunk to significantly less than the 3.7 percent that the state considers prudent for its economic uncertainties.

In some cases it is zero, and in other cases it ranges from one-half to 3 percent, Naake said.

County budget shortfalls of 5 percent to 10 percent are common. Counties are contemplating "drastic program cuts and employee layoffs."

Welfare is hitting Imperial and the timber counties the hardest. The unemployment rate is 40 percent in Imperial, compared to 7.8 percent statewide. A timber county such as Plumas, Naake says, is suffering mill

shutdowns because what he called a subsidized Canadian timber industry has all but taken over the Los Angeles construction market.

But large counties aren't exempt. Los Angeles County says that since 1979, its cost for welfare has soared 114.7 percent. On top of that, jail costs have risen 105.5 percent, and court costs 75.7 percent.

Jails ordered by the courts to reduce overcrowding are problems in Fresno and Orange counties. In Amador County, the new jail requires 13 jailers instead of one. Statewide, mandatory jail for drunken driving is adding a significant burden.

Most dramatically, criminal justice costs are cutting into some counties in the manner of the 1982 retrial of Juan Corona, which resulted in a new conviction for murdering 25 farm workers. It cost Sutter County about \$5 million, much of which the state paid.

Calaveras County is worried about the costs of investigating the case of the late Leonard Lake and recently arrested Charles Ng. The state appropriated \$500,000 to help, but the case still hasn't been scheduled for trial.

Naake cites 43,000-population Tehama County as the worst-case scenario: A 22 percent rise in welfare costs in 12 months, five drug-related murders this year, and the upcoming sex-slave trial of a Red Bluff man that could cost \$250,000 or more.

Even roads are a special problem in Humboldt County. It has reverted 60 miles of roads from pavement to gravel in the past three years. This is partly because welfare gets 40 percent of the county budget, and criminal justice gets one-third. Overall, there is an 11 percent cut between the old and the new fiscal years.

If the state's voters hadn't adopted Proposition 13 in 1978, the counties could simply have raised local property taxes.

As it is, the Legislature is considering bills to help in key areas. Among them, AB 340 by Assemblyman Jim Costa, D-Fresno, would link the counties' share of the welfare costs, now 5 percent of the total, to county revenues, and appropriate \$7.5 million.

Three bills would shoulder some local jail and trial costs, and others would help with roads and foster care.

Counties Bemoan Increased Costs, Decreased Funds

Rural Areas of State Are Worst Victims Of Belt-Tightening Trouble in Tehama

By CHARLEY ROBERTS

SACRAMENTO - Tehama County, a swath of forests and farms 80 miles north of Sacramento between the Trinity Alps and the Sierra Nevada foothills, is a microcosm of the financial woes plaguing California's counties this summer.

Constitutionally limited in their ability to raise revenues, and faced with uncontrollable costs for welfare, criminal justice, and liability insurance, the county supervisors are cinching the budget belt tighter and holding their breath for some sort of legislative relief.

But legislative sources say the counties might as well exhale for now. Any help this year will only be temporary, and probably deal with just isolated problems. No long-term solutions are likely before this time next year. "The Legislature will do what it does best, respond to well-defined problems," said Peter Detwiler, chief consultant to the Senate Local Government Committee.

Some legislation has been introduced, and more is on the way, but he said the likelihood for the final month of this year's legislative session, beginning Aug. 19, is that the lawmakers will slap a Band-Aid on the most acute problems and adjourn without addressing the chronic illness.

Half of California's 58 counties, particularly small rural counties like Tehama, are in serious financial trouble, according to Larry Naake, executive director of the County Supervisors Association of California.

"What people at the state level fail to understand is that these financial problems are

beyond the control of counties," said Naake. "The bulk of a county's expenses are case-load driven. Counties are faced with an ever-increasing crime rate and state-mandated social service programs."

Law Enforcement Costs

Tehama has all of that and more, much more.

In Tehama County, the number of families on welfare has increased 22 percent in the past 12 months, and the cost of the program over the past five years has swelled by 484 percent.

The economy is based on timber and agriculture and right now those industries are depressed, said Tehama County Supervisor Russell Frey. Unemployment is running at 14 percent to 15 percent at a time when the statewide average is under 8 percent.

The crime rate is up, primarily because of an increase in the number of marijuana growers that have "come over the hill" from the coastal counties where intensive law enforcement efforts have made life difficult for them.

There are seven drug-related homicides under investigation in this county of 43,000 persons. And if that were not enough, the county expects the trial of a Red Bluff man in a notorious sex-slave kidnapping case to cost upwards of \$250,000.

Pressured by the supervisors to cut costs, Tehama County District Attorney James Lang considered plea-bargaining the case of Cameron Hooker, accused of holding a young Riverside woman captive for seven years, to save the cost of trial. He abandoned the idea when Attorney General John Van de Kamp threatened to take over the case — and send Tehama County the bill.

County Administrator John Sims said the supervisors never told Lang "in so many words" to plea-bargain the case. But he said he could understand how Lang could get that idea from the pressure put on all department heads to cut costs.

Insurance Premiums

Sims said the county that on top of the escalating welfare and court costs, the county has also been hit by a 550 percent hike in its liability insurance premiums. Last year, the premium was \$27,000. This year it went to \$176,000.

"That's 6½ times what we paid last year and we have not had any claims (that exceed the county's \$100,000 deductible) in at least three or four years."

The county's answer has been to lay off 30 employees, or 6 percent of its total workforce, cutback even essential services, and close eight of the 11 branch libraries.

If the Legislature does not provide any help, the supervisors' only other hope is that voters will approve a tax override on the November ballot.

"We're cannibalizing ourselves," said Frey of the shifts of county funds to pay for state-mandated programs. "We haven't put any general fund money into road repair for five years. . . . We've pulled in deputy sheriffs from patrol to provide (courtroom) bailiffs and guards for the jail."

Some of the pressure for more jail staffing results from court intervention in some

counties, and from tougher laws, particularly those for drunken drivers, in all counties, according to Detwiler, the legislative consultant.

Frey said, "The best analogy I can give for what is happening is for you to give me a credit card and let me charge as much as I want on it. You won't earn enough money to keep pace with my spending no matter how hard you work. That is the position the counties find themselves in with the state-mandated programs."

Sims said that the frustration among county officials has led some to talk openly about refusing to carry out some state mandates in order to invite a lawsuit by the state and bring the situation to a head. But Sims said that such a drastic step is unlikely. "The state would probably just send in some of their high-priced employees and send the bill to the county," he said.

The situation is repeated in county after county.

In Calaveras County, 50 miles southeast of Sacramento in the heart of Gold Rush country, the continuing investigation into the deaths of perhaps 25 people at the remote Wilseyville cabin of Leonard Lake and Charles Ng is running up a staggering bill. Fortunately, cuts of up to 25 percent of the budget have been forestalled by the last-minute addition of \$500,000 in the 1985-86 state budget to reimburse 90 percent of the cost.

In Imperial County, unemployment is running at 40 percent but relief will depend on legislative action when the lawmakers return in August.

In Marin County, insurance costs quadrupled over last year and supervisors had to cut coverage by half to afford a premium at double the previous year's cost.

'Home Rule' Urged

In Los Angeles County, the criminal justice budget has increased from 32 percent of the total annual outlay to 53 percent of the budget in six years. Health, welfare, and general relief account for another 26 percent. General government, such as property tax collection, receives 10 percent and public protection gets 8 percent. That leaves 3 percent of the total \$6.3 billion budget for non-mandated functions.

"The only longterm solution is to give the counties more home rule, including the ability to raise taxes," said Detwiler, the committee consultant.

But efforts to do that have been blocked in the past by the combined lobbying power of business interests who don't want to see taxes raised. These interests know it is easier to kill one bill in the Legislature than to

fight tax hike efforts in 58 counties, Detwiler said.

Counties have been in a revenue-raising bind since the passage of proposition 13 in 1978 put a cap on property tax hikes and imposed a requirement of voter approval for any extraordinary increases.

The Legislature provided some additional money last year, according to supervisors, but state-mandated programs once again outstripped those revenues.

The Legislature changed the funding formulas to give local government a larger slice of the existing property tax money shared with schools, and distributed \$210 million in auto license fees to each of the counties on a per capita basis. But some counties saw that windfall wiped out by higher welfare costs mandated by the lawmakers.

Detwiler said the Legislature doesn't look at the interlocking relationship of county revenues and state-mandated programs. Revenue bills go through the local government committee, while spending measures are handled by committees that deal with specific issues, such as health, public safety, and education.

Where all the diverse decisions come together is in the county budgets.

Pending Legislation

Some legislation has been introduced to deal with some of the specific problems confronting the counties.

AB 340 by Assemblyman Jim Costa, D-Fresno, would limit a county's share of cost for Aid to Families with Dependent Children (AFDC) grants and administration to the statewide average percentage growth of general purpose revenues for all counties. That would parcel out \$7.5 million on the basis of need, not population. But legislative efforts to adopt need formulas tend to turn into struggles among legislators to protect or benefit their own districts.

The bill has passed the Assembly and is awaiting a hearing in the Senate Health and Human Services Committee on Aug. 21.

SB 1091 by Sen. William Campbell, R-Hacienda Heights, would provide \$145 million in new revenue to counties from the vehicle license fee receipts. However, that measure would take a large chunk of cash out of state coffers.

SB 300 by Sen. John Foran, D-San Francisco, would provide \$340 million to local government as part of a larger effort to finance highway and road repair. It is pending in the Assembly Ways and Means Committee, the last stop before full Assembly action. It has already passed the Senate.

AB 19 by Assemblyman Richard Robin-

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son, D-Santa Ana, would give counties the option of giving up revenues from court fines and forfeitures to get a block grant of \$410,000 for each judge on the bench. The actual cost of each judge, complete with staff and building, is somewhat higher in most counties. It is scheduled for a hearing before the Senate Appropriations Committee on Aug. 26.

AB 2545, also by Robinson, would allow county supervisors to speed up construction of new jail facilities with \$150 million in state funds by declaring it an emergency need.

At present, the state Board of Corrections reports that 14 county jails are under some sort of court order or mandate to upgrade

conditions, limit the number of inmates, or replace existing unsafe structures. Another 11 counties face similar legal action in lawsuits filed against the county.

All of these bills are aimed at specific problems but are statewide in application. They also have been in the legislative process for some time.

Three bills have been introduced or amended since the counties signaled their distress in June.

AB 2578 by Assemblyman Stan Statham, R-Chico, would appropriate at least \$120,000 to Tehama County to help pay for the Cameron Hooker trial, which is scheduled to begin in San Mateo County, where it was moved because of pretrial publicity, on Aug. 12. It will have its first hearing before Assembly Ways and Means Committee on Aug. 21.

AB 1988 by Assemblyman Norman Waters, D-Placerville, would extend the current system of the state paying most of the cost of major homicide trials in small rural counties to all homicide investigations in counties under 300,000 people. It is pending before Senate Appropriations Committee.

SB 424 by Sen. Robert Presley, D-Riverside, is to be amended by Presley and Senate Minority Leader Jim Nielsen, R-Woodland, when the Legislature reconvenes Aug. 19. It will propose having the state pay for all felony prosecutions once a county has spent more than a fixed small percentage of its total assessed value on this expense. This would be patterned after the so-called Juan Corona law that reimburses counties based on a percentage of assets expended.

Complex Trials

Justice Too Costly For Small Counties

By Mark Z. Barabak

These are lean times in rural Tehama County, and budget-cutters there have been wielding a heavy ax.

Straining to balance a \$28 million budget, the Board of Supervisors may chop as many as 50 employees from the county payroll. The library and park systems already have undergone big cuts.

Amid the effort to make ends meet, one expenditure seemed particularly galling: the more than \$100,000 it will cost to bring Cameron Hooker to trial on charges he kept a woman sex slave for seven years.

Budget planners reckon the sum could pay for one or two library branches, or four or five sheriff's cars to replace clunkers that have racked up more than 100,000 miles.

The price of justice can be high, and California's small counties, where some of the state's most notorious crimes have taken place, sometimes find it more than they would like — or can afford — to pay.

The 1982 retrial of Juan Corona, which resulted in his conviction for murdering 25 farm workers, forced Sutter County to spend \$1 million in reserves to meet payrolls after the general fund was depleted. The state eventually paid some, but not all, of the \$5 million the case cost.

Last month, the state Legislature approved an emergency \$500,000 allocation to help Calaveras County pay for the investigation of the Wilseyville murders linked to Leonard Lake. Although Lake killed himself after his arrest, officials in Calaveras already have begun to worry about paying for the trial of Lake's alleged accomplice, Charles Chitlat Ng, who is still at large.

"It's really going to hurt us," says administrative coordinator John Crane.

Tehama's 'Sex Slave' Trial

Likewise, officials in Tehama County, 70 miles northwest of Sacramento, were looking for a way out of spending the \$100,000 the Cameron Hooker trial is expected to cost.

So Deputy District Attorney Jim Lang decided to cut a deal: The 31-year-old Hooker, who faces up to 110 years in prison if convicted of 18 counts of rape, kidnaping, sodomy and torture, would enter a plea that involved none of the sex charges. In return, the Red Bluff man would be sentenced to 10 years in prison, meaning he could go free in about five years.

When the attorney for Hooker's alleged victim got wind of the proposed plea bargain, she contacted state Assemblyman Richard Katz, D-Sepulveda.

"Given the egregiousness of the crime and the violence involved, I felt (the plea agreement) was insufficient and inadequate," said attorney Marilyn Barrett. "I was also worried about the fact that once he's out, he might well seek her out to retaliate."

The victim, a 27-year-old Riverside woman, was kidnaped at knife point in 1977, police charge. During nearly 7½ years of captivity, the woman was allegedly subjected to bizarre sexual torture and lengthy confinement in a wooden box. She finally escaped, and Hooker was ar-

rested last November.

After hearing from Barrett, Katz contacted the state attorney general's office, which warned Tehama County officials that cost considerations were "an unacceptable basis for plea negotiations." The attorney general threatened to take over the case — and bill Tehama — if the plea agreement went through.

County prosecutor Lang plans to go forward with the Hooker trial, scheduled for August in San Mateo County, where it was moved because of publicity in Red Bluff.

The budget-cutting tack taken in Tehama is only the most extreme example of the fiscal crunch being faced by rural counties all over Northern California. But it points to the problems many small counties face when the precepts of justice overburden a system better suited to handle speeders or fish and game violations.

Costs Add Up

Larry Naake, of the state County Supervisors Association, said the price of "policing these places, arresting criminals, prosecuting them and keeping them in jail is getting beyond their means."

The costs of a trial can add up quickly. In the Hooker case, the fees include the costs of a court-appointed defense attorney (paid by the county), the salaries of a prosecutor and investigators, payment to expert witnesses on both sides and the price of transporting and housing all of these people in San Mateo County for the duration of the trial, expected to last about four weeks.

Naake, whose organization lobbies for California counties, says the requirements of complex criminal cases strain more than just a county's finances.

"They just don't have the ex-

pertise," he says of prosecutors in some rural areas. "You take the D.A.'s office in Sacramento, San Francisco or Los Angeles. They have huge staffs, so they can have specialists in a given area. In a small county, there are maybe one or two attorneys, who are expected to be generalists. They're overwhelmed."

In the past, the state has shown some sympathy.

In 1961, legislation was passed providing for partial reimbursement in murder cases where the costs exceeded a certain threshold, tied to a percentage of property tax receipts. The law was amended in 1984 so the state now picks up as much as 100 percent of the costs.

The law pertains only to murder cases, however, and county officials say a change is needed for cases like the Hooker trial.

White said Attorney General John Van de Kamp will propose legislation this summer to amend the reimbursement statute. He hopes it will pass and take effect next January 1.

Not everyone sees a need for such legislation. Assemblyman Katz, who intervened in the Hooker case, said he feels "the system is pretty good now."

"The problem is that if the state jumps in too early and too quickly, you'll find counties saying, 'We don't want to try them, let the state pick up the tab,'" says Katz. "There's a real fine line between doing that and coming in where there's a legitimate need where a case otherwise won't get tried and won't get prosecuted."

Grim Economic Report On Struggling Counties

Sacramento

Half of the state's counties are in serious financial trouble, the County Supervisors Association of California says.

County supervisors statewide are cutting public safety employees, trimming criminal prosecution staffs, abandoning roads and eliminating "what remains of discretionary programs, such as libraries, parks and recreation," said association director Larry Naake.

Although San Francisco was not surveyed by the association, officials say it too faces a budget crunch in the coming fiscal years. Controller John Farrell said that by July 1, 1986, the county's surplus will turn to a budget deficit of \$69.4 million.

Among the counties surveyed by the association:

■Butte: Shortfall in next year's budget is expected to be \$4 million or 10 percent. About 10 percent of the county employees will be laid off.

■Calaveras: Planned a 25 percent cut in the budget two months ago. It does not yet know the expenses of the Leonard Lake murder investigation. At least eight library branches will be closed.

■Colusa: With \$10 million budget, was recently facing a \$1 million liability insurance premium, but a new policy cut it to \$150,000. Property taxes fell because of a world rice surplus.

■Fresno: New \$354.5 million budget means that 170 county employees are going to lose their jobs.

■Glenn: Faces \$1.6 million shortage in next year's budget. Liability insurance has doubled in the last year. As many as 38 employees will be laid off.

■Imperial: Although state unemployment rate is 7.8 percent, Imperial County's is 40 percent.

■Kings: Criminal justice expenditures are more than the total of all property tax revenues collected.

California 1416 counties in 'hot water'

Hanford, CA
(Kings Co.)
Sentinel
(Cir. 6xW. 13,052)

JUN 24 1985

By United Press International
and The Sentinel Staff

Kings County isn't alone in its struggle to pay for the increasing cost of catching and prosecuting law-breakers — officials from counties throughout California are looking for ways to save money.

~~Staggering court costs for~~ Tehama County's notorious sex slave case prompted prosecutors to consider plea bargaining to save money for their financially troubled county.

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However, Tehama County District Attorney Jim Lang said the plea could have saved the county \$100,000 in trial costs, estimated

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Others estimate as many as half of the state's 58 counties may be in fiscal hot water in a lingering demonstration of the effects of 1978's tax-cutting Proposition 13.

In a special series that appeared earlier this month in The Hanford Sentinel, Kings County officials expressed concern that low revenues and high costs for the county's criminal justice system

may lead to less vigorous prosecution of some crimes.

Data obtained by The Sentinel showed that prosecutors in Kings County have higher caseloads than those in any neighboring county, yet county supervisors say they will be unable to give the district attorney's office the requested number of new personnel in this year's budget.

Nichols was one of eight county representatives who met last week with Senate Republican Leader Jim Nielsen of Woodland to seek help with budget problems.

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"Part of our frustration is trying to get people in Sacramento and elsewhere in the state to understand our problems," lamented Nichols.

Lawmakers last year passed a bill to provide long-term, stable financing for local governments. But it didn't address what county administrators say is their real trouble — the open-ended criminal and welfare costs that they by law must pay without any opened way to raise revenues.

Several counties are considering cutbacks in workers, fire stations, libraries and law enforcement.

Nichols said new money Butte County received under last year's long-term financing bill was entirely offset by the county's share of a state-ordered increase in welfare benefit payments.

"Half of California's 58 counties are in serious financial trouble with no immediate remedies in sight," said Larry Naake, executive director of the County Supervisors Association of California.

Counties are suffering severe fiscal crunch

Oakland, CA
(Alameda Co.)
Tribune
(Cir. D. 149,828)
(Cir. Sat. 139,245)
(Cir. S. 153,959)

JUL 23 1985

The Associated Press

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In addition, liability insurance premiums have increased sharply. They have doubled in Contra Costa County in a budget that has risen only 2.8 percent — less than the inflation rate — from fiscal 1984-85 to 1985-86.

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ing "drastic program cuts and employee layoffs."

Welfare is hitting Imperial County and the timber counties the hardest. The rate is 40 percent in Imperial, compared with 7.8 percent statewide. A timber county like Plumas, Naake says, is suffering mill shutdowns because the "subsidized" Canadian timber industry has all but taken over the Los Angeles construction market.

But large counties aren't exempt. Los Angeles County says that since 1979, its cost for welfare has soared 114.7 percent. On top of that, jail costs have risen 105.5 percent, and court costs 75.7 percent.

Jails ordered by the courts to reduce overcrowding are problems in Fresno and Orange counties. In Amador County, the new jail requires 13 jailers instead of one. Statewide, mandatory jail for drunken driving is adding a significant burden, Naake says.

Most dramatically, criminal justice costs are cutting into some counties in the manner of the 1982 retrial of Juan Corona, which resulted in a new conviction for murdering 25 farm worker, which cost Sutter County about \$5 million, much of which the state paid.

Calaveras County is worried about the costs of investigating the mass murder case of the late Leonard Lake and the recently arrested Charles Ng. The state appropriated \$500,000 to help, but the case still hasn't been scheduled for trial.

Naake cites Tehama County, with a population of only 43,000, as the worst case: A 22 percent rise in welfare costs in 12 months, five drug-related murders this year, and the upcoming sex-slave trial of a Red Bluff man that could cost \$250,000 or more.

Even roads are a special problem in Humboldt County, which has downgraded 60 miles of roads from pavement to gravel in the last three years. This is partly because welfare gets 40 percent of the county budget, and criminal justice gets an additional third.

County can't make ends meet

Supervisors consider pay freeze, layoffs to reduce deficit

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By ROBERT PALOMARES
Bee staff writer

Stanislaus County supervisors declared county finances "economically distressed" Tuesday as the first step to freeze pay for 2,400 county workers.

The supervisors adopted a \$161 million temporary budget while they also consider layoffs, cuts in county services and increases in fees.

The object is to reduce an \$8.5 million deficit in the county's projected spending plan.

The present budget expires Sunday. County income must match expenses when the final version is adopted in August.

A package of changes, including a wage freeze and higher fees, would leave the county with a possible \$3.6 million deficit, raising the possibility of layoffs or cuts in services, according to chief administrator Gardner Hutchins.

The economic declaration is a message to the county's employee bargaining groups that county finances are serious enough to reopen contract negotiations for a pay freeze, county officials said.

Personnel director Philip Rosenberg will meet with agents of the five county bargaining units in the next two weeks "to point out our problems and to point out the various alternatives available to deal with these problems," Rosenberg said.

"Layoffs are not what any of us want, but we know it's out there," Rosenberg said. "There

has to be a better approach, and we want to explore the alternatives to workforce reductions."

Alternatives he discussed include a pay freeze or reduced benefit increases.

Last November county employees received a 5 percent pay increase. Out of the current \$160 million budget, \$60 million went for salaries, Rosenberg said.

Fee increases, which supervisors also are considering to meet the deficit, will be proposed at a public hearing set for 9:45 a.m. July 9. The set a July 23 hearing on the budget.



Gardner Hutchins

County administrators proposed increasing fees collected by the Treasurer and Tax Collector, Planning and Community Development, Environmental Resources, Probation and the Fire Warden departments

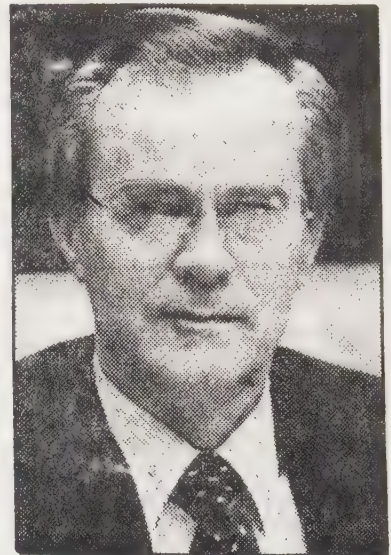
"It would mean another \$400,000 to \$500,000 increase in the revenues if these fees are increased," said Hutchins.

After hearing the gloomy budget news the three supervisors present wondered how the county got itself into such a financial quagmire. Supervisors Dan Terry and Sal Cannella were absent.

Supervisor Ray Simon asked, "Why is San Joaquin County, just 30 miles north of us, with the same agriculture-based economy better off than this county?"

Stanislaus County is not the only county in fiscal distress, however. The County Supervisors Association of California Tuesday issued a grim report that says that clearly half of the state's counties are in serious financial trouble.

Larry Naake, executive director of the organization, said that counties in all parts of the state are making deep cuts in their upcoming budget.



Ray Simon

They are cutting public safety employees, trimming criminal prosecution staffs, abandoning roads and eliminating discretionary programs, such as libraries, parks and recreation.

Hutchins said the board's predecessors made a political decision of keeping a low property tax rate.

Simon agreed. "It boils down to the conservative nature of our predecessors, which was not necessarily wrong."

Then came Proposition 13, which froze the county's property tax rate, and prohibited local governments from increasing taxes to meet expenses.

Simon said law enforcement is in part the blame for the deficit.

"Criminal justice is consuming us," Simon said last week. "The courts are eating us alive."

The state and federal governments are ordering more programs at the local level, without

the money to pay for the programs, he said.

The Sacramento Bee

• Monday, July 1, 1985

Small counties face fiscal woes

Rising costs, limited revenues have many in serious trouble

By Kathryn Eaker Perkins
Bee Staff Writer

Placer County can no longer afford insurance for its buses, so officials today will consider dumping the service.

Humboldt County is returning 60 miles of paved road to gravel because it can't afford to maintain them.

"We're going back to 1935," county Administrator Robert Hendrix said wryly.

Tehama County, faced with paying for five drug-related murder trials and the sex-slave trial of a Red Bluff man that will cost at least \$250,000, is closing libraries and considering selling parks.

While the state has accumulated a \$1 billion budget reserve, half of its 58 counties are in serious financial trouble, according to the County Supervisors Association of California.

An association survey of Northern California counties pinpoints the causes of the counties' problems on the "uncontrollable and rapidly increasing costs" for criminal justice, liability insurance, and state-mandated programs, such as health and welfare.

The problems started seven years ago with Proposition 13 and have escalated as legislators have ignored "the constitutional reality that counties have no authority to raise taxes significantly," said association director Larry Naake.

On the average, 90 percent of the counties' budgets go for state-required programs, but the state fuels only 60 percent of those budgets, said Naake.

Placer and Yolo counties are examples of the problem, which generally is more severe for smaller, rural counties than urban ones.

In a pinch, large counties with big budgets, such as Sacramento's \$603 million, can handle a "\$10 million problem by spreading it over three years, transferring

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funds from one department to another or deferring spending," said Sacramento County's budget officer, George Miller.

Conversely, he noted, "one or two murder trials can break the back of a smaller country. They don't have the resources for that."

The costs of Placer County's criminal justice system — courts, jails, sheriff's operations — outstrips property-tax revenue, the major source of income, said Placer County Executive Tom Schopflin. "The property taxes come to \$16 million; the criminal-justice costs come to \$17 million."

Public demands for tougher law enforcement and new laws, such as those aimed at drunken drivers, and more intricate prosecution procedures are putting pressure on justice systems that local tax revenues cannot meet, officials say.

Yolo County's jails are running a costly 169 percent over capacity, there aren't enough courtrooms or judges, the district attorney's office is overworked and understaffed, and "everybody is totally frustrated with the criminal-justice system," said Yolo County Supervisor Betsy Marchand.

Consequently, she said, "there is no sense of swift and sure justice."

"Take the couple whose home is burglarized. The police arrest the guy who did it. He's out on bail. Months go by while the district attorney waits for an open courtroom. The victims and the cops are frustrated because the guy is back out on the street. The DA is frustrated because when the case comes to trial he has a 2-foot-high stack of cases he is working on that day and he hasn't had the time he needs to prepare."

The state must face up to the fact that the ability of counties to raise revenue is frozen, that they can't keep up with the costs that are rising geometrically, and the only other place for the money to come from is the state, said Marchand.

In addition to escalating criminal-justice costs, health and welfare tabs are getting harder for smaller counties to pay, said Naake. The blame, in part, rests on high unemployment — between 15 and 20 percent in some valley counties and 20 to 25 percent in mountain communities, he said.

Humboldt County Administrator Robert Hendrix said the costs of its state-mandated welfare programs, administered and partially funded by the counties, have risen 66 percent since 1979. "But during that same period, our revenue base that we can apply to those programs as our matching contribution has increased only 2 percent. So we are coming up short."

California's major welfare program, Aid to Families with Dependent Children, is financed 95 percent by the state and 5 percent by counties.

"There has to be some restructuring," Hendrix said. "If the state is going to hold counties to certain standards of performance in such things as welfare programs and criminal prosecutions, the state will have to pay the costs. Some counties just don't have the wherewithal to do it."

Another major financial stress is the cost of liability insurance, a residual of "a sue-happy society," Naake said.

Only two or three companies will insure counties, and premiums have skyrocketed because of a state "joint and several liability" law that makes each party named in a lawsuit liable for an entire award.

As the law works, even if a county is found by a court to be liable for only 1 percent of an award, the county could wind up paying the full amount if the party who was supposed to pay the other 99 percent can't pay. Consequently, it is a rare California accident in which the victim doesn't sue a government agency or a big corporation, in addition to the parties most directly responsible for his injury.

This year, Sacramento County had difficulty finding an insurer, and then, it had to change its deductible from \$500,000 to \$1 million, while its premium went from \$1.1 million to \$1.4 million, county officials said.

Placer's executive Schopflin calls the insurance problem a key crisis. On Saturday, the insurance that covered its public transportation system ran out, and, after months of trying, it hasn't been able to find a replacement.

"We've been carrying \$20 million," said Schopflin. "The most we can get is \$5 million and our premium would go up \$500,000. Five million means nothing if we were to have a major bus accident. That would be exhausted in nothing flat, and everything over that the county would have to pay."

The taxpayer feels the hardship in several ways, he said. Not only is the county on the verge of discontinuing bus service, but the amount it must pay for insurance comes out of local services.

Assemblyman Dominic Cortese, D-San Jose, chairman of the Assembly Local Government Committee, acknowledged "there has been a lingering, festering problem between local and state government over programs the state mandates and local government must carry out."

To partially address the problem, he authored legislation last year that increased and stabilized the state contribution to counties from \$800 million to \$1.3 billion by giving counties money from motor vehicle, cigarette and supplemental property taxes.

That helped but didn't solve the problem.

An example is Butte County, where officials face a \$4 million shortfall in next year's budget, or 10 percent of the current budget. Under Cortese's bill, Butte received \$420,000 — all of which was applied directly to increased welfare costs, said Naake.

The bill stanchoned the post-Proposition 13 ritual of "local governments showing up every year hat-in-hand looking for bailout money," Cortese said, but it still leaves unresolved the question of who's going to administer and pay the costs of state programs.

To tackle those issues, he said, he will hold hearings for the remainder of the year to get a better sense of the problem and "to see if we can find a consensus on where to go."

As for the insurance problem, he plans to hold informal hearings on that issue too, perhaps leading toward a plan in which the state would share the costs of premiums with the counties.

Yolo Supervisor Marchand suggests that the Legislature could start working on the insurance-premium problem by placing limits on trial attorneys' fees.

These are not new problems; they have been around for years, Cortese said. But they are complicated by local governments' touchy attitude toward home rule, he said. Counties don't want to give up control of programs, they just want someone else to pay for them, he added.

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Allen's P. C. B Est. 1888

State programs cause woes

Report cites counties' growing financial plight

SACRAMENTO (AP) — California's 58 counties said state programs they can't control, like welfare and courts, are draining them financially and forcing layoffs and cutbacks in programs like libraries and roads.

"Counties throughout the state are facing severe financial problems," said the County Supervisors' Association of California, a lobbying group, after a "grim and startling" fiscal survey.

The main villain, according to the report, is "state-mandated, caseload-driven programs, particularly in the areas of welfare, courts and jail... (that are) beyond the control of counties."

In addition, liability insurance premiums have increased sharply.

They have doubled in Contra Costa County in a budget that has risen only 2.8 percent — less than the inflation rate — from fiscal 1984-85 to 1985-86.

Glenn County, which expects to cut 38 county jobs, said it faces a doubling of insurance costs.

The County Supervisors' Association said these "uncontrollable and rapidly increasing costs" are growing faster than revenues.

Association Executive Director Larry Naake said this means that the normal 10 percent "real

discretionary spending" on libraries, parks and cultural programs, has shrunk.

In some cases it is zero, and in other cases it ranges from one-half to 3 percent, Naake said.

County budget shortfalls of 5 percent to 10 percent are common. Counties are contemplating "drastic program cuts and employee layoffs."

Welfare is hitting Imperial and the timber counties the hardest. The jobless rate is 40 percent in Imperial, compared with 7.8 percent statewide.

A timber county like Plumas, Naake said, is suffering mill shutdowns because of what he called a subsidized Canadian timber industry has all but taken over the Los Angeles construction market.

But large counties aren't exempt. Los Angeles County said that since 1979, its cost for welfare has soared 114.7 percent.

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Most dramatically, criminal justice costs hitting some counties, like the 1982 retrial of Juan Corona, which resulted in a new conviction for murdering 25 farm workers. It cost Sutter County about \$5 million, much of which the state paid.

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Naake cites 43,000-population Tehama County as the worst case scenario: A 22 percent rise in welfare costs in 12 months, five drug-related murders this year and the upcoming sex-slave trial of a Red Bluff man that could cost \$250,000 or more.

Roads are a special problem in Humboldt County. It has reverted 60 miles of roads from pavement to gravel in the past three years. This is partly because welfare gets 40 percent of the county budget, and criminal justice gets one-third. Overall, there is an 11 percent cut between the old and the new fiscal years.

If the state's voters hadn't adopted Proposition 13 in 1978, the counties could simply have raised local property taxes.

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